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SEPTEMBER 9, 1977

Office of the White House Press Secretary

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THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

The Federal grants-in-aid system has developed because of the importance, in a country as large as ours, of dealing decisively with national problems in a way that preserves and encourages innovative participation by State and local governments. In theory the system is the basis of a balanced national partnership, an example of federalism at its best. Unfortunately, in practice, as grants have proliferated, it has grown increasingly irrational, inefficient, and insensitive to the various local needs and idiosyncracies it was originally designed to accommodate.

With Federal grants to State and local governments now amounting to \$72 billion annually, the cost of administrative inefficiencies and the paperwork itself are staggering. Intelligent reform of this system will not only prevent the waste of tax dollars, it will ensure that the money which is spent produces superior results. Therefore, my Administration is working to improve the management of Federal aid and improve the partnership with State and local governments, particularly in the following five areas of grant management where experience has shown the greatest problems exist:

- . Application, Reporting, and Planning Requirements
  - . Financial Management Practices
  - . Audit Procedures
  - . Requirements to Fulfill National Goals
  - . Development of Regulations
- I. APPLICATION, REPORTING, AND PLANNING REQUIREMENTS

Many existing Federal requirements are confusing and unnecessarily difficult to comply with. They produce mounds of paper -- some grant applications arrive in Washington in crates rather than envelopes -- but the material they demand is too often duplicative, unhelpful, and sometimes even unread. To help relieve State and local government of this excessive burden, I am taking the following actions:

- . Simplification of Application and Reporting Requirements. By memorandum, I am today directing the heads of all executive departments and agencies to:
  - ensure that no State or local official is required to provide, as part of a grant modification or renewal, information which was provided in the original application.

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- use the standard application and financial reporting forms now available from the Office of Management and Budget.
- make reporting forms available no less than two months before aid recipients are required to use them or to begin collecting data for inclusion in them.
- give the public an opportunity to comment on new application and reporting forms before the final version is decided upon.
- ensure that no State or local government is required to submit to the Federal government more than one original and two copies of any grant application or reporting forms.

Reduction of the Reporting Burden on the Public.

I have directed the heads of executive departments and agencies to combine reports, where possible, eliminate unnecessary reports, require less frequent reporting, and share information among agencies themselves instead of asking grantees to provide such information repeatedly. By September 30, we will have reduced paperwork by at least 7 million hours a year, much of it in Federal grants. For example, the Department of Health, Education and Welfare has revised the form which university administrators must complete to apply for student financial aid. The revision will save almost 100,000 hours of work for the school administrators. Similarly, the Department of Transportation has simplified its Federal highway program reporting system in a way which saves State employees and private contractors 67,000 hours a year.

Reduction in the Number of Plans Required from State and Local Governments. In a memorandum dated July 19, 1977, I directed the heads of all executive departments and agencies to perform a zero-based review of all Federally imposed planning requirements with which State and local governments must comply as a condition for receiving grants. By November 30 I expect a substantial reduction in the number and duplication of plans from the 80 now required.

## II. FINANCIAL MANAGEMENT PRACTICES

The Federal budget process inconveniences State and local governments because they never know from one year to the next how much money will be available to fund continuing programs. Federal payments are sometimes tardy, and when the check does arrive, it may fail to indicate which program it is for.

Advance Appropriation. State and local officials have pointed out that a lack of adequate advance information about Federal spending levels makes State and local planning and budgeting difficult. Since approximately 25 percent of State and local expenditures are from Federal sources, unexpected budget

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decisions in Washington have serious consequences around the country. As one way of dealing with this problem, the Office of Management and Budget is reviewing five major programs that the National Governors' Conference recommended be converted to an advance appropriation status, beginning in the FY 1979 budget. These programs are Basic Support for Vocational Rehabilitation; Maternal and Child Health Services; Special Programs for the Aging; Title XX Social Services; and Summer Youth Employment.

Letters of Credit. Delays in receipt of Federal grant payments have led many State and local officials (as well as the Federal Paperwork Commission) to recommend that letters of credit be used instead of checks. Letters of credit allow a grant recipient to draw funds from the Treasury for approved grants at the time the money is needed. At my request the Department of the Treasury is expanding the use of letters of credit throughout the Executive branch. This action will improve monitoring of Federal aid funds.

The next grant programs to be converted to letters of credit are Economic Adjustment Assistance, Rent Supplements for Lower Income Families, and Urban Mass Transit. The Federal government is now saving about \$180 million annually in interest which would be lost if cash advances were made to grant recipients before the money was actually needed. By introducing new payment techniques and increasing the use of letters of credit, Federal savings can double.

Electronic Fund Transfers. Another method for speeding the payment of Federal grants is through the use of electronic fund transfers. Several experimental programs are now underway in, for example, the Department of Agriculture and the Department of Transportation. By memorandum today, I am directing the heads of executive departments and agencies to work with the Secretary of the Treasury to identify additional programs which can benefit from the use of electronic fund transfers. This is one way to reduce the occasions when grantees must spend their own money and wait for Federal reimbursement. State and local governments should not be put in the position of having to lend the Federal government money, which is, in effect, what happens when they must borrow money to pay bills while awaiting Federal funds.

Labeling of Checks. When grantees receive checks from the Federal government, the checks should indicate clearly what they are for. At present, they often do not. Consequently, State and local officials must spend time determining the correct account before they can deposit the check. As President, I encounter a great many problems that are complex and difficult, so it is refreshing occasionally to find one that is neither. By memorandum today, I am directing the heads of all executive departments and agencies to designate, on the face of all checks they send to grant-in-aid recipients, the specific program they are for.

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### III. AUDIT PROCEDURES

There is a substantial need for improved cooperation on audits. Since many grant recipients receive Federal funds from more than one program, many State and local governments often must submit to repeated audits of the same set of accounting books by several Federal auditors -- each of whom represents a different funding source. Many grant recipients are audited by State and local auditors as well.

To make the audit process more orderly and predictable -- and to help increase coordination among Federal, State, and local auditors -- I am today ordering Federal executive departments and agencies to make their audit schedules systematically available to grant recipients and to State, local, and private auditors; to conduct single Federal audits wherever possible; and to increase their reliance on State and local audits.

### IV. REQUIREMENTS TO FULFILL NATIONAL GOALS

In an effort to achieve certain worthy national goals, Federal agencies have sometimes required grant recipients to satisfy burdensome and overlapping requirements. There is room to simplify these requirements considerably without impeding progress toward the goals themselves.

The most chronic problems exist in three areas: environmental protection, citizen participation, and civil rights. Nearly every Federal department has produced its own Federal aid regulations, guidelines, and forms to assure that those who receive Federal money satisfy these national goals. The problem is that neither the departments, the Congress, the public, nor State and local governments know all the requirements governing the hundreds of Federal aid programs. We need to determine whether the regulations are achieving their purpose; whether good-faith compliance with them involves unnecessary duplication of effort; and how the public can best use them to monitor the government's performance.

In pursuit of those objectives, certain agencies are now gathering together for the first time the most important environmental, civil rights, and citizen participation requirements. During the next several months they will be publishing (in plain English) explanations of:

- Citizen participation grant requirements -- prepared by the Community Services Administration;
- Federal legal requirements prohibiting discrimination in employment by State and local governments -- prepared by the Equal Employment Opportunity Commission;
- The National Environmental Policy Act (NEPA) requirements and other environmental review statutes -- prepared by the Council on Environmental Quality.

The next step will be to identify redundancy and gaps in coverage so that we can develop simpler, uniform requirements.

Pursuant to my Environmental Message of May 23, 1977, CEQ is preparing a single set of binding regulations which will ensure a uniform approach for preparing all Environmental Impact Statements.

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V. DEVELOPMENT OF REGULATIONS

Whether they determine application or reporting procedures, set standards for the fulfillment of national goals, or establish financial management practices, Federal regulations are all too often written in obscure and confusing language. They can be, and frequently are, unnecessarily burdensome. Some of them have been changed so often that recipients find themselves engaged in a never-ending, losing battle merely to comprehend them, much less comply with them. Not surprisingly, many of these regulations have been developed without adequate consultation with State and local governments.

I have therefore taken the following actions:

- Consultation with State and Local Officials. Early in my Administration, I directed the heads of all executive departments and agencies to consult with State and local officials when Federal regulations, budgets, and policy and reorganization proposals were first being formulated. This procedure, a sensible and long-overdue reform, is now becoming routine. I further directed each agency head to make a specific senior official responsible, full-time, for consulting with State and local leaders and for insuring that their views are reflected in the development of departmental policy. These senior officials are now on the job.

In mid-October, I plan to issue an Executive Order which will require agencies to take positive steps to improve the process by which regulations are developed and issued. This will include soliciting public advice, including that of affected State and local governments, early in the process of developing regulations. It will also call for the publication of a semi-annual schedule of significant regulations on which they plan to begin work.

- Limitations on Regulation Changes During the Program Year. From time to time there is a legitimate need to change Federal regulations in the midst of a continuing program, but there is rarely any good reason to insist that grantees immediately follow the new rule instead of the old one. By memorandum to the heads of all executive departments and agencies, I am today directing that all new regulations be written to let grantees (at their own option) complete their program year by abiding by the regulations which existed at the beginning, except under extraordinary circumstances.

- Simplification of Existing Regulations. It is not enough to improve the process for drafting new regulations if existing ones remain complex and contradictory. There are several ways to improve existing regulations and thereby simplify Federal aid procedures. Among them are these:

-- Achieve uniformity of administrative requirements for all the grant programs administered by a single department. For example, the Department of Health, Education and Welfare is developing a single set of application, reporting, auditing, and payment procedures to replace the 300 separate regulations which now apply to grants administered there.

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-- Make the concept of an integrated grant-in-aid work. The Office of Management and Budget is now reviewing the Joint Funding Simplification Act, which Act provides a way for grant recipients to combine several Federal grant programs in order to achieve a single objective. While jointly-funded projects ordinarily involve more than one Federal agency, the Department of Transportation is considering its own experiment in consolidated planning grants for State and regional organizations. The program will allow grantees to receive highway, mass transit, rail and airport planning funds under one grant, after meeting statutory requirements.

-- Consolidate grant programs. In connection with both the government reorganization project and the budget, we are considering possible major grant consolidations.

-- Conduct sunset reviews. Often regulations on the books become ineffective or outdated because they do not receive regular periodic review. For that reason, I will be instructing all departments and agencies to conduct sunset reviews of their regulations, beginning with one or more regulations or sets of regulations which have a significant impact on the public. Regulations which have been the target of public criticism, or which conflict or overlap with the regulations of other agencies will be among initial targets.

#### PARTNERSHIPS FOR FUTURE ACTION

The actions I have outlined here represent my commitment to pursue and resolve the chronic management problems associated with Federal grants-in-aid. To ensure that we do not lose ground inadvertently, I have asked the Director of the Office of Management and Budget to develop a legislative checklist to alert Federal agencies and OMB analysts to provisions in pending legislation which might perpetuate or aggravate such problems in the future. I fully realize that Executive actions alone are not enough. I am seeking to foster partnerships with:

- State and local governments -- by establishing expeditious ways for State and local officials to help the Federal government resolve major administrative problems;
- the Congress -- by working with both Houses to make Federal aid programs and procedures more manageable;
- the Advisory Commission on Intergovernmental Relations -- which I have asked to suggest, after one year, appropriate ways to further streamline Federal and administrative practices.

We shall continue to work together toward our mutual goal of improving the efficiency and effectiveness of government in the United States.

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Approved For Release 2004/03/23 : CIA-RDP80M00165A002200100017-2  
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